Infrastructure Canada

Departmental Performance Report

For the period ending
March 31, 2006

The Honourable Lawrence Cannon
Minister of Transport, Infrastructure and Communities

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Section I: Overview

Minister's Message

Lawrence Cannon, P.C., M.P.

As Canada's Minister of Transport, Infrastructure and Communities, I am pleased to submit Infrastructure Canada's Departmental Performance Report for the period ending March 31, 2006.

On February 6, 2006, Transport Canada, Infrastructure Canada, and sixteen Crown corporations were brought together in a single portfolio under my leadership as Minister of Transport, Infrastructure and Communities. The portfolio is a point of convergence for some of the most important issues facing Canada today: transportation safety and security; infrastructure that supports productivity and sustainability; and the quality of life in our cities and communities.

The various tools and policy levers available in this portfolio offer great potential to develop policies and actions to enhance Canada's economic competitiveness and our quality of life.

It is from the vantage point of this newly integrated portfolio that I can reflect with pride on Infrastructure Canada's accomplishments during the 2005-2006 fiscal year, and look forward to future opportunities to develop and expand the scope of our work to maximize the potential of this integrated portfolio.

As part of the portfolio, Infrastructure Canada works in partnership with provinces, territories and municipalities, as well as with First Nations, to help them meet their infrastructure needs through sound policies and funding programs. I am proud of Infrastructure Canada's role in working with federal partners to invest in Canada's priority infrastructure needs. In 2005-2006, hundreds of projects were funded with partners in cities and communities across the nation, helping to protect the environment and support long-term community and economic needs. Federal-provincial agreements were signed under the federal Gas Tax Fund and the Public Transit Fund, allowing for current and future federal funding support to environmentally sustainable municipal infrastructure. Infrastructure Canada's research activities also contributed to ensuring effective public investment in infrastructure.

This Departmental Performance Report highlights the essential role played by Infrastructure Canada in enhancing the quality of life of Canadians and ensuring maximum benefits for their investment. I look forward to continue to work with partners to achieve our common goal, which is to provide a foundation for strong and sustainable cities and communities.

The Honourable Lawrence Cannon, P.C., M.P.
Minister of Transport, Infrastructure and Communities

Management Representation Statement

I submit for tabling in Parliament, the *2005-2006 Departmental Performance Report* for Infrastructure Canada.

This document has been prepared based on the reporting principles contained in the *Guide for the Preparation of Part III of the 2005-2006 Estimates: Reports on Plans and Priorities and Departmental Performance Reports:*

- It adheres to the specific reporting requirements outlined in the Treasury Board Secretariat guidance;
- It is based on the department's approved Program Activity Architecture structure as reflected in its Management, Resources and Results Structure (MRRS);
- It presents consistent, comprehensive, balanced and reliable information;
- It provides a basis of accountability for the results achieved with the resources and authorities entrusted to it; and
- It reports finances based on approved numbers from the Estimates and the Public Accounts of Canada.

Signed: _____

Louis Ranger

Title: Deputy Head
Infrastructure and Communities

1.1 Summary Information

This *Departmental Performance Report* (DPR) presents information on the activities and achievements of Infrastructure Canada in fiscal year 2005-2006 with respect to its strategic outcome, expected results and plans and priorities.

Raison d'être

> *The mission of Infrastructure Canada is to help build sustainable Canadian communities where Canadians benefit from world-class public infrastructure.*

Canada needs to remain competitive and productive while sustaining the quality of life of Canadians. World-class public infrastructure, including safe and reliable water systems and efficient transportation systems are critical to meeting these objectives.

The Government of Canada is committed to working in partnership with provinces, territories and municipalities to help them meet their infrastructure needs through stable and reliable funding programs based on sound policies and programs. In doing so, the Government will maximize value for taxpayers' money by supporting infrastructure projects that adhere to best practices, by not funding cost overruns and by requiring all funding recipients to be accountable.

In carrying out this government priority, Infrastructure Canada manages several funding programs, and works to build the policies, knowledge and partnerships to support them.

Background

Infrastructure Canada was established in 2002 to lead the Government of Canada's effort to address the infrastructure challenges of Canadian cities, communities and regions, through research, policies and funding programs. Since then, the organization has evolved to become a centre of expertise for infrastructure management and the federal focal point for cities and communities issues.

In February 2006, Infrastructure Canada and Transport Canada became part of a new portfolio, Transport, Infrastructure and Communities. The portfolio includes the four Crown corporations formerly under the responsibility of Infrastructure Canada.[1]

Resource Summary

Financial and human resources for the organization are summarized in Tables 1 and 2.

Table 1: Total Financial Resources, 2005-2006

(Net Cost of Program in $ thousands)

Planned Spending	Total Authorities	Actual Spending
$1,534,413	$1,797,157	$1,529,776

Table 2: Total Human Resources

(Full Time Equivalents)

Planned	Actual	Difference
205	180	25

1 The four Crown corporations are: Canada Lands Company Limited, Old Port of Montréal Corporation Inc., Parc Downsview Park Inc., and Queens Quay West Land Corporation. The Crown Corporation Secretariat, which provides the Minister and Deputy Head with advice and support on all matters pertaining to these Crown corporations, was transferred from Infrastructure Canada to Transport Canada in 2005-2006.

1.2 Summary of Departmental Performance

Infrastructure Canada has one Strategic Outcome for this reporting period: *to meet the priorities of Canadians for infrastructure in order to contribute to quality of life, a healthy environment, economic growth, rural and urban development, innovation and international trade.*[2]

Infrastructure Canada established three priorities for the 2005-2006 reporting period:

1. Advancing the New Deal for Cities and Communities.
2. Managing and leveraging investments to improve the state of sustainable infrastructure.
3. Building, connecting and sharing knowledge.

Table 3 summarizes the organization's performance in fiscal year 2005-2006 in relation to its strategic outcome and these three priorities.

Table 3: Summary of Performance in Relationship to Departmental Strategic Outcomes, Priorities and Commitments

Strategic Outcome: To meet the priorities of Canadians for infrastructure in order to contribute to quality of life, a healthy environment, economic growth, rural and urban development, innovation and international trade.

Priority	Type	Program Activity	Expected Results and Current Status
1. Advancing the New Deal for Cities and Communities	Ongoing	Infrastructure and Communities	**Successfully met expectations during the reporting period** • Established the $5-billion Gas Tax Fund Transfer Payment Program (GTF) and the $400-million Public Transit Fund Transfer Payment Program (PTF). • GTF agreements signed with all provinces/territories, except for Newfoundland and Labrador and First Nations, representing $4.9 billion in federal funding. • PTF agreements signed with nine provinces and territories, representing $380 million.

2 Infrastructure Canada's Strategic Outcome has been modified for 2006-2007. The new Strategic Outcome is: "Improving the sustainability of our cities and communities and Canada's local, regional and national public infrastructure to enhance the economic, social, cultural and environmental quality of life of Canadians."

Priority	Type	Program Activity	Expected Results and Current Status
			• A rigorous accountability regime incorporated into all agreements. • Provided support to the External Advisory Committee on Cities and Communities (EACCC).
2. Managing and leveraging investments to improve the state of sustainable infrastructure	Ongoing	Infrastructure and Communities	**Successfully met expectations during the reporting period** • 92 new Infrastructure Canada Program projects approved in 2005-2006 representing $37 million in federal funding; a total of 3,879 projects with $1.9 billion in federal funding have been approved to March 31, 2006. • 327 new Municipal Rural Infrastructure Fund projects approved in 2005-2006 representing $196.7 million in federal funding; a total of 329 projects with $202 million in federal funding have been approved to March 31, 2006. • 14 new Canada Strategic Investment Fund projects announced in 2005-2006 representing $510 million in federal funding; a total of 57 projects with $3.5 billion in federal funding have been approved to March 31, 2006. • 3 new Border Infrastructure Fund projects announced in 2005-2006 representing $72 million in federal funding; a total of 12 projects with $520.1 million in federal funding have been approved to March 31, 2006.
3. Building, connecting and sharing knowledge	Ongoing	Infrastructure and Communities	**Successfully met expectations during the reporting period** • More than a dozen research studies completed on infrastructure and communities, covering the 6 priority research areas and providing support to policy development work. • The 5-year, $25-million funding initiative resulted in a first round of contribution agreements under the Knowledge-building, Outreach and Awareness program with 10 recipients being awarded $3.6 million in federal funding. • First call for proposals held under the Peer Reviewed Research Studies program. • Web-based Research Gateway continued to be enhanced.

As indicated in the above table, in fiscal year 2005-2006 Infrastructure Canada successfully met expectations in responding to the challenges it faced and achieving its mission.

1.2.1 Progress By Organizational Priorities

The following is a brief summary of the progress achieved for each of the strategic priorities listed in Table 3.

1. Advancing the New Deal for Cities and Communities

Infrastructure Canada is responsible for promoting and leading the Government's New Deal for Cities and Communities, announced in Budget 2004. In partnership with provinces and territories, First Nations, municipalities and other stakeholders, the objectives of the New Deal are to:

- Develop and implement a vision for ensuring the economic, social, cultural and environmental sustainability of Canada's cities and communities;
- Assist municipalities in securing stable, predictable and long-term funding;
- Give municipalities a stronger voice in decisions that affect them; and
- Help equip communities to develop local solutions for local problems, including seeking opportunities for agreements to address specific issues.

During the reporting period, the Government of Canada and the organization continued to successfully advance the New Deal on several fronts. During 2005-2006, Infrastructure Canada established two new programs, the Gas Tax Fund Transfer Payment Program (GTF) and the Public Transit Fund Transfer Payment Program (PTF). This commitment to Canada's cities and communities was further maintained in the Budget 2006 announcement, recognizing the importance of infrastructure for the quality of life and competitiveness of Canadian communities.

Gas Tax Fund (GTF)

In Budget 2005, the Government announced that $5 billion would be provided to municipalities over five years through sharing of federal gas tax revenues with Canada's cities and communities.

The Minister signed funding agreements on the transfer of federal gas tax revenues with nearly every province and territory. As of March 31, 2006, agreements with Newfoundland and Labrador and First Nations were still being negotiated. Agreements included new partnership arrangements with the City of Toronto, the Association of Municipalities of Ontario and the Union of British Columbia Municipalities as signatories. The sharing of federal gas tax revenues

with cities and communities will provide reliable and predictable multi-year funding to municipalities that, in turn, will enable them to make investments in infrastructure projects that address local needs and help to produce the shared national outcomes of cleaner air, cleaner water and reduced greenhouse gas emissions. A capacity building component was also established within the gas tax funding program. Funding can be used to help municipal jurisdictions build the capacity to develop Integrated Community Sustainability Plans.

In 2005-2006, $580 million was transferred to provinces and territories through the GTF.

Public Transit Fund (PTF)

A total of $400 million has been allocated to PTF. The Minister signed nine public transit agreements with provinces and territories to support investments in public transit infrastructure such as rapid transit infrastructure, rolling stock, intelligent transit system and active transportation infrastructure. During fiscal year 2005-2006, $380 million was transferred to provinces and territories through the PTF.

2. Managing and leveraging investments to improve the state of sustainable infrastructure

Infrastructure Canada seeks to maximize economic, social, cultural and environmental benefits for Canadians through investments in public infrastructure in a coordinated manner with provincial, territorial and municipal governments, and First Nations.

During the reporting period, Infrastructure Canada managed two types of funding programs, community-based investments and large-scale strategic programs. A total of four infrastructure programs were managed, each tailored to distinct needs and requirements providing investments in Canada's priority infrastructure needs.

These funding programs are delivered in collaboration with several federal delivery partners. As the coordinator and funding agent, Infrastructure Canada is responsible for project review, selection and approval, negotiation of the contribution agreement and ongoing monitoring and oversight. For transport-related projects, Transport Canada is responsible for these activities and Infrastructure Canada participates in a supportive role. Management of the agreements is done in partnership with other federal departments and agencies under the terms of Memoranda of Understanding. The six federal delivery partners are: Western Economic Diversification Canada (for

projects in the western provinces); Canada Economic Development for Quebec Regions (for Quebec projects); Industry Canada (for projects in Ontario); Atlantic Canada Opportunities Agency (for projects in the Atlantic provinces); Transport Canada (for transportation projects) and, Indian and Northern Affairs Canada (for projects in the provinces that involve First Nations and projects in the territories). Detailed reporting on program expenditures is included in the Departmental Performance Reports for these organizations.

The major accomplishments of the four funding programs during 2005-2006 are as follows:

- **Infrastructure Canada Program (ICP):** This community-based fund began in 2000 and as of March 31, 2006, all ICP funding had been committed to 3,879 projects across Canada. During 2005-2006, 92 projects with a federal commitment of $37 million were initiated to protect the environment and support long-term community and economic needs. The program has been extended to March 31, 2009, and to March 31, 2007 for the First Nations component.
- **Municipal Rural Infrastructure Program (MRIF):** Budget 2003 established the second of the community-based funds. MRIF was allocated $1 billion for smaller-scale municipal infrastructure projects designed to improve the quality of life and economic opportunities in smaller centres, including a component addressing the infrastructure needs of First Nations. As of March 31, 2006, a total of 329 projects had been approved. During 2005-2006, 327 projects were approved and announced, valued at $196.7 million.
- **Canada Strategic Infrastructure Fund (CSIF):** The $4-billion CSIF, originally established through Budget 2001, is one of the large-scale investment funds. Funding is directed to projects of major federal and regional significance in areas that are vital to sustaining economic growth and enhancing the quality of life of Canadians. These investments are being made in cooperation with the provinces and territories, municipalities and the private sector. Maximum federal funding is set at 50% of total eligible costs, except for broadband and northern infrastructure projects, where funding can go up to a maximum of 75%. Ten per cent of the CSIF allocation is targeted to projects identified as national priority projects. As of March 31, 2006, a total of 57 projects had been announced. During 2005-2006, 14 projects were announced with a total federal commitment of $509.8 million. A total of 38 agreements were signed at a value of $1.826 billion.

- **Border Infrastructure Fund (BIF):** BIF, announced in Budget 2001, was established as a $600-million fund to target the six largest surface border crossings between Canada and the United States, as well as several other crossings. It has provided funding for investments in physical infrastructure, intelligent transportation system infrastructure, and improved analytical capacity. During 2005-2006, 3 BIF projects were announced with a federal contribution of $72 million.

Table 4 provides a summary of federal funding commitments by category for these four funding programs.

Table 4: Federal Funding Commitments by Category for ICP, MRIF, CSIF, and BIF

Categories	# of projects approved as of Mar. 31, 2006	Total Federal Funds Allocated as of Mar. 31, 2006 ($M)
ICP		
Green Municipal	2,425	1,044.8
Local Transportation	732	423.4
Cultural and Recreational	610	355.5
High-Speed Access for Public Institutions	3	9.2
Rural and Remote Telecommunications	5	0.7
Affordable Housing	7	6.8
Tourism	61	85.4
Other	36	15.4
Total	**3,879**	**1,941.1**

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Categories	# of projects approved as of March 31, 2006	Total Federal Funds Allocated as of March 31, 2006 ($M)
MRIF		
Water	61	53.4
Wastewater	91	74.8
Solid Waste	12	2.0
Environmental Energy Improvements	5	3.4
Local Roads	126	46.2
Public Transit	1	1.1
Cultural	8	1.5
Recreation	18	10.1
Connectivity	2	2.7
Tourism	5	7.0
Total	**329**	**202.1**
CSIF		
Water	3	62.1
Wastewater	11	285.9
Urban Roads	1	13.0
Highways or Rail	20	1,058.0
Public Transit	5	1,405.0
Broadband	4	113.4
Flood Control	1	120.0
Housing	1	20.0
Tourism	11	423.2
Total	**57**	**3,500.6**
BIF		
Physical Infrastructure	10	513.1
Improve Analytical Capacity	1	3.0
Intelligent Transportation System Infrastructure	1	4.0
Total	**12**	**520.1**
Total for ICP, MRIF, CSIF and BIF	**4,277**	**6,163.9**

Note: Columns may not add due to rounding.

3. Building, connecting and sharing knowledge

Infrastructure Canada seeks to develop and share knowledge about infrastructure, cities and communities through identifying research priority areas; carrying out research activities; collaborating with partners; and, communicating new and existing knowledge with Canadians about the fundamental role infrastructure plays in their lives and their communities.

Infrastructure Canada has played a key role in several events that have brought together experts from across Canada and the world. In September 2005, Infrastructure Canada organized, on behalf of the Prime Minister's *External Advisory Committee on Cities and Communities*, the *Planning for Sustainable Canadian Communities Roundtable*. In October 2005, Infrastructure Canada and the Organisation for Economic Co-operation and Development (OECD) co-organised an international conference on *Sustainable Cities: Linking Competitiveness with Social Cohesion*, hosted in Montréal. More information is presented in Section II.

The organization continued to undertake research activities in all of its major program activity areas in 2005-2006. Multiple research studies were completed and disseminated on infrastructure, and cities and communities issues in relation to each of Infrastructure Canada's current research priorities.

Infrastructure Canada has sustained commitment to a variety of research activities in collaboration with university-based researchers, other federal departments and agencies, provincial/territorial governments, international governments and other organizations in pursuit of its knowledge generation, community building and knowledge transfer and dissemination objectives. In 2005-2006, Infrastructure Canada became a lead participant in the 2-year OECD Futures Project on Global Infrastructure Needs. In addition, Infrastructure Canada, with the Canada West Foundation, established a major collaborative project on alternative infrastructure financing, funding, and delivery tools. The project also assesses the applicability of the tools to various types of urban infrastructure. Infrastructure Canada also created a joint research initiative on community infrastructure in the North with the Department of Municipal and Community Affairs of the Government of the Northwest Territories.

Infrastructure Canada's five-year, $25-million research funding initiative resulted in a second call for proposals under the Knowledge-building, Outreach and Awareness (KOA) funding program, and a first call for proposals under the Peer Reviewed Research Studies (PRRS) funding program. As a result of the first call for proposals under the KOA program, Infrastructure Canada has entered into Contribution Agreements with ten recipients. Details on these two research programs can be found on the Infrastructure Canada web site: **http://www.infrastructure.gc.ca/research-recherche/rko/index_e.shtml**.

The Research Gateway is the organization's web portal for research on infrastructure, cities and communities issues **(http://www.infrastructure.gc.ca/research-recherche/index_e.shtml)**. It is a unique resource for researchers and users of research and is the virtual cornerstone of Infrastructure Canada's activities to develop, connect and share research. A key objective in 2005-2006 was to enhance the transfer of Infrastructure Canada's research results to specific target audiences. To this end, the web portal was enhanced, adding functionality and improving useability. Visits to the Research Gateway accounted for more than one-half (58%) of total Internet traffic on the Infrastructure Canada web site during the reporting period. A number of innovative tools for knowledge transfer, such as Heritage Moments on infrastructure and communities issues, were also developed and many of them showcased on the Gateway.

1.2.2 Reporting Framework

Consistent with guidance provided by the Treasury Board of Canada Secretariat, this *Departmental Performance Report* and the accompanying financial tables are presented using the Government's Program Activity Architecture (PAA) Framework. The PAA structure, as it existed in 2005-2006, is being used by Infrastructure Canada to report on the progress achieved in implementing the identified priorities.

Under the PAA for 2005-2006, Infrastructure Canada had three major program activity areas:

- Infrastructure and Communities;
- Crown Corporations Portfolio Management; and
- Departmental Administration.

Section II provides details on departmental performance under the first two of these program activity areas. Background information on the third activity area, departmental administration, is presented in Section IV of the report, *Other Items of Interest*.

1.2.3 Operating Environment and Challenges

Infrastructure Canada is subject to a variety of external and internal influences, which are described below.

Rapid Expansion in Responsibilities

Infrastructure Canada was established in 2002. It has overseen the relatively rapid development and implementation of a suite of infrastructure funds. It has evolved into an ongoing entity with growing responsibilities far beyond delivering investment programs. In 2004, it assumed responsibility for leading the cities and communities agenda, and became a federal focal point for infrastructure and communities issues.

In February 2006, Infrastructure Canada and Transport Canada became part of a new portfolio, Transport, Infrastructure and Communities. The portfolio includes a number of Crown corporations that had reported to Parliament through a different minister up until the appointment of the Minister of Transport, Infrastructure and Communities.[3] This evolution of Infrastructure Canada's responsibilities over the past several years has resulted in a period of continuous change in its organizational structure and scope, impacting demands for resources not anticipated at the time the organization was originally established. It has had to develop the capacity and operational infrastructure to support new and expanded programs and provide an increasingly higher level of discipline and rigour to the policy development, project selection, and program implementation processes.

Upgrading Canada's Infrastructure: The Enormous Challenge

In international comparisons that assess the state of city infrastructure, Canadian cities continue to be highly ranked. The 2006 Mercer World-wide Quality of Living Survey placed five Canadian cities in the top 25 out of 350 cities around the world: Vancouver (3rd), Toronto (15th), Ottawa (18th), Montréal (22nd) and Calgary (25th).

3 These Crown corporations are: Canada Lands Company Limited, the Old Port of Montréal Corporation Inc., Parc Downsview Park Inc. and the Queens Quay West Land Corporation.

However, Canadian cities and communities continue to face specific challenges and opportunities that have a significant impact on Canada's overall quality of life and competitiveness. Canadians want communities that provide affordable housing, good roads, efficient public transit, safe neighbourhoods, clean air and abundant green spaces. Several of Canada's major cities, including Toronto, Montréal, Vancouver and Calgary face a variety of challenges, ranging from immigrant settlement, affordable housing, spatial concentration of poverty and homelessness and increasing demands for public transit. Canada's smaller communities face different issues, including retaining qualified workers, dispersed populations, high construction costs and limited funds for capital projects.

No single order of government can address these challenges and harness the opportunities provided by these challenges alone. The Government of Canada needs to work closely and cooperatively with all orders of government, First Nations and the private and not-for-profit sectors, to ensure that efforts are complementary, responsive to local needs, and respectful of jurisdiction.

Ensuring Accountability

Infrastructure Canada retains responsibility within the federal government for the use of contributions under its infrastructure funds and exercises due diligence and rigorous oversight. However, several factors may impact the availability of program result information and in turn its ability to demonstrate tangible progress and results in the short term. For instance, the long-term benefits of many of the infrastructure funding programs, such as economic and environmental benefits, may only become clear after several years, given the life cycle of major infrastructure projects. In addition, building sustained relationships based on shared values, open communications and accountability is a long-term proposition.

Gaps in the Knowledge Base

On the research side, there are three important issues. First, important knowledge gaps exist regarding both infrastructure and its impacts on communities, including: the state of infrastructure in communities across Canada; the economic, social, cultural and environmental impacts of infrastructure at the community level; and, the kind of infrastructure Canada requires to meet its objectives in the 21st century.

Second, there is a need to foster a stronger, more multi-disciplinary community of researchers interested in infrastructure and communities issues and willing and able to generate policy-relevant research.

A third challenge concerns knowledge dissemination and transfer — how to ensure that those who need the available knowledge and data have access to it on a timely basis.

Challenges also arise with respect to improving public awareness and understanding of infrastructure and communities issues. In a survey published in March 2005, 91% of Canadians rated modern infrastructure as very important or important in making a community "a desirable location in which to live or work"[4]. However, research showed there was little desire among respondents for more compact communities, and a limited understanding of issues relating to urban sprawl. This snapshot of opinion from 2005 suggests there may be a difference between what Canadians say they value in terms of sustainable development and public infrastructure, and what they are willing to accept or do to achieve this value. While Canadians clearly view investment in infrastructure as a priority, they are sometimes unclear on what is truly meant by the term "infrastructure", often equating it with roads, rather than public transit, or water treatment, for example. Challenges remain in increasing the understanding of infrastructure issues among Canadians, generating awareness of the federal contribution to infrastructure in Canada, and in raising awareness of how sustainable development and infrastructure choices are linked.

4 A Report to Infrastructure Canada (The Cities Secretariat), National Overview of Findings from a National Survey on the Quality of Life in Canadian Communities, prepared by The Strategic Counsel, March 2005. Available at: **http://www.infrastructure.gc.ca/ndcc/cities/cities_study/cities_survey_e.pdf.**

Partnerships and Capacity Building

Coordination, partnerships and capacity building are at the core of Infrastructure Canada's mandate, operations and organizational culture.

At the operating level, Infrastructure Canada collaborates extensively with other federal departments and agencies to deliver infrastructure programs, through both formal memoranda of understanding and informal working relationships. Infrastructure Canada has assumed a lead role in developing and maintaining new partnerships with provinces, territories, municipalities and municipal associations across the country, as well as with First Nations and international organizations.

Partnerships are also an important tool in Infrastructure Canada's focus on knowledge generation, community building and knowledge transfer. Infrastructure Canada collaborates with other governments, universities, research institutes, civil society organizations, the private sector and other experts domestically and internationally to generate and communicate knowledge about infrastructure and communities in support of sound policy making.

1.2.4 Alignment with Government of Canada Outcomes

The Government of Canada's performance reporting framework consists of thirteen outcomes grouped under three policy themes: economic, social and international. Infrastructure Canada's Program Activity from a public policy perspective is "Infrastructure and Communities." Figure 1 illustrates how Infrastructure Canada's funding programs are linked to Canada's performance. (For more information on Government of Canada Outcomes, refer to **http://www.tbs-sct.gc.ca/rma/krc/cp-rc-1-05_e.asp**.)

Figure 1: Infrastructure Canada's Funding Programs and Links to Canada's Performance

ICP Objective

Enhance infrastructure in Canada's urban and rural communities and to improve quality of life through investments that protect the environment and support long-term community and economic growth

MRIF Objective

Support smaller-scale municipal infrastructure projects that improve the quality of life, sustainable development and economic opportunities, particularly for smaller communities

CSIF Objective

Support large-scale strategic infrastructure projects that contribute to economic growth and quality of life in Canada

BIF Objective

Through reductions in congestion and enhancements to capacity, security and safety at border crossings, support Canada's growing economic and trade relationship with the US

Canada's Performance – Horizontal Outcomes		
Sustainable Economy	**Social Foundations**	**Canada's Place in the World**
• Sustainable economic growth • An innovative and knowledge-based economy • Income security and employment for Canadians • A secure and fair marketplace • A clean and healthy environment	• Inclusive society that promotes linguistic duality and diversity • A vibrant Canadian culture and heritage • Safe and secure communities	• A strong and mutually beneficial North American partnership

GTF Objective

Enable municipalities to make long-term financial commitments needed to help contain urban sprawl and to invest in new sustainable infrastructure projects in areas such as transit, clean water and sewers

PTF Objective

Provide funding to those communities with transit systems to contribute to shared national outcomes to cleaner air and reduced GHG emissions

RKO Objective

To create and disseminate knowledge important to the sustainability of infrastructure and communities

Section II: Analysis of Performance by Strategic Outcome

Section II presents an analysis of the performance of Infrastructure Canada in fiscal year 2005-2006 related to its Strategic Outcome and priorities.

The performance information presented in this section is organized by the organization's Program Activity Architecture (PAA) for 2005-2006, which consisted of the following three program activity areas:

- **Infrastructure and Communities** — This Program Activity consists of providing policy advice, program operations, research and analysis, communications and information systems to support investments in infrastructure projects across Canada through managing and administering several core funding programs. It also includes developing new relationships with cities and communities, ensuring a coherent federal approach to cities and communities, and helping ensure their sustainability through stable, long term funding.
- **Crown Corporations Portfolio Management** — This Program Activity is the focal point for providing support to the Minister in his responsibilities for four specific Crown corporations in the Transport, Infrastructure and Communities Portfolio. During 2005-2006, this Program Activity was transferred to Transport Canada.
- **Departmental Administration** — This Program Activity encompasses the Office of the Minister, the Office of the Deputy Head and Associate Deputy Minister[5], Corporate Services, Information Management/Information Technology and Legal Services.

Section II provides details on departmental performance for the first two of these program activity areas. Background information on the third activity area is presented in Section IV, *Other Items of Interest*.

5 Prior to the creation of the Transport, Infrastructure and Communities Portfolio in February 2006, Departmental Administration included offices of the Minister of State and the Associate Deputy Minister.

2.1 Infrastructure and Communities

This Program Activity consists of all infrastructure programming delivered through transfer payments as well as the related program management and monitoring functions. It includes activities undertaken in policy development, knowledge, research and analysis, and partnership development. It also includes activities to improve policy integration on social, economic, environmental and cultural issues related to cities and communities.

As the focal point for the Government of Canada's infrastructure and communities' agenda, it advises and serves the Minister of Transport, Infrastructure and Communities and the Prime Minister on issues of national importance, and provides support to the External Advisory Committee on Cities and Communities.

Table 5: Financial and Human Resource Requirements, Infrastructure and Communities, 2005-2006

($ thousands)

Main Estimates	Planned Spending	Total Authorities	Actual Spending	FTEs Actual
$788,035	$1,527,438	$1,770,051	$1,503,085	167.5

The expected result of this Program Activity is to maximize economic, social, cultural and environmental benefits for Canadians through investments in public infrastructure in a coordinated manner with provincial, territorial and municipal governments, and First Nations.

This Program Activity consists of two elements, Infrastructure Investments and Research. A description of each element, along with the results achieved in 2005-2006, is provided on the following pages.

A. Infrastructure Investments

During the reporting period, Infrastructure Canada managed three types of programs, each tailored to distinct needs and requirements, providing investments in Canada's priority infrastructure needs. Three categories of programs were created: 1) Community-based investments; 2) Large-scale strategic programs; and, 3) Gas tax and public transit funds.

Infrastructure Canada has identified a set of performance indicators against which to report on the results achieved by the programs falling under the two categories of community-based investments and large-scale strategic programs (Table 6). For the third category, gas tax and public transit funds, Infrastructure Canada is working with each jurisdiction to confirm the core performance measures.

Table 6: Performance Indicators for Infrastructure Programs

Output Indicators
• Number of project announcements • Number of signed contribution agreements • Number of MOUs with other government departments and partners for delivery • Number of projects approved
Intermediate results indicators
• Negotiation and completion of agreements and projects in an expeditious fashion • Collaborative support of other government departments and key partners • Resources levered from partners • Effective program management and oversight of agreements (e.g., risk management, monitoring and reporting, e-management)
Ultimate results indicators
• Safe, reliable transportation • Sustainable economic development • Sustainable use and quality of water, and efficient wastewater treatment • Safe and efficient borders • Improved innovation and delivery of public services via connectivity • Efficient and sustainable energy systems

The following pages provide a brief description of each investment program and the results achieved during 2005-2006.

1. Community-based Investments

Community-based investments address community undertakings of a smaller scale. The two funds are the Infrastructure Canada Program (ICP) and its 2003 successor, the Municipal Rural Infrastructure Fund (MRIF). Both funds emphasize investments in municipal infrastructure that enhance environmental quality and quality of life.

i) Infrastructure Canada Program (ICP)

The $2.05-billion ICP was created in 2000 to enhance infrastructure in Canada's urban and rural communities, and to improve quality of life through investments that protect the environment and support long-term community and economic growth.

As of March 31, 2006, ICP funding has been committed to 3,879 projects across Canada. This program is scheduled to conclude March 31, 2009 (March 31, 2007 for the First Nations component).

The priority for ICP has been to support "green" municipal infrastructure, consistent with the Government's sustainable development objective. A minimum of 50% of federal expenditures are to be devoted to such projects as water and wastewater systems, solid waste management and recycling, and capital expenditures to retrofit or improve the energy efficiency of buildings and facilities owned by local governments. Other priorities include local transportation infrastructure, cultural and recreational facilities, rural and remote telecommunications and affordable housing.

Results achieved: The summary of ICP cumulative expenditures as of March 31, 2006, is provided in Table 7. During the reporting period, 92 new ICP projects were approved, with just over $37 million in federal contribution (Table 8). Major project categories included water systems, cultural and recreational facilities, local transportation and wastewater systems. As mentioned earlier, given the life cycle of major infrastructure projects, the long-term results indicators are currently not available. Figure 2 illustrates how the ICP projects approved as of March 31, 2006, are distributed by investment category.

An ICP mid-term evaluation noted that some improvements could be made in the design, implementation, and monitoring of the program. The key recommendations of this evaluation were:

- Address barriers to project and program implementation and be diligent in order to ensure program completion by the extended deadline;
- Determine a method to measure/report on project outcomes at the national level, communications outcomes, and program cost-effectiveness; and
- Improve/maximize relationship management.

The total investments in community infrastructure, generated by ICP, exceed the original goal by 30%. ICP has also achieved an appropriate balance of federal/provincial priorities.

Table 7: ICP Expenditures and Approved Projects as of March 31, 2006

Jurisdiction	ICP Funding Allocation ($M)	# of Approved Projects as of Mar. 31, 2006	ICP Share of Approved Projects as of Mar. 31, 2006 ($M)	Federal Expenditures in Previous[1] Years ($M)	Federal Expenditures in 2005-2006[1] ($M)
British Columbia	268.6	310	264.7	86.5	91.7
Alberta	171.0	779	168.3	112.7	29.5
Saskatchewan	56.7	366	55.6	44.1	7.7
Manitoba	60.9	176	59.8	45.8	8.6
Ontario	680.7	533	666.3	414.0	115.9
Quebec	515.5	905	509.6	208.1	85.7
New Brunswick	54.5	93	53.6	46.1	5.9
Nova Scotia	65.5	145	64.0	41.6	10.6
Prince Edward Island	12.8	80	12.8	11.2	1.2
Newfoundland & Labrador	51.3	370	48.4	26.9	11.4
Yukon	2.5	8	2.5	1.2	1.2
Northwest Territories	3.1	12	3.1	3.1	0.0
Nunavut	2.1	5	2.1	2.1	0.0
First Nations	31.1	97	30.4	28.4	1.7
Sub-total	**1,976.0**	**3,879**	**1,941.1**	**1,071.8**	**371.2**
Federal Coordination/InfraGuide	74.0				
Total	**2,050.0**				

Note: Columns may not add due to rounding.

1 Expenditures may include eligible administration costs by the province or territory.

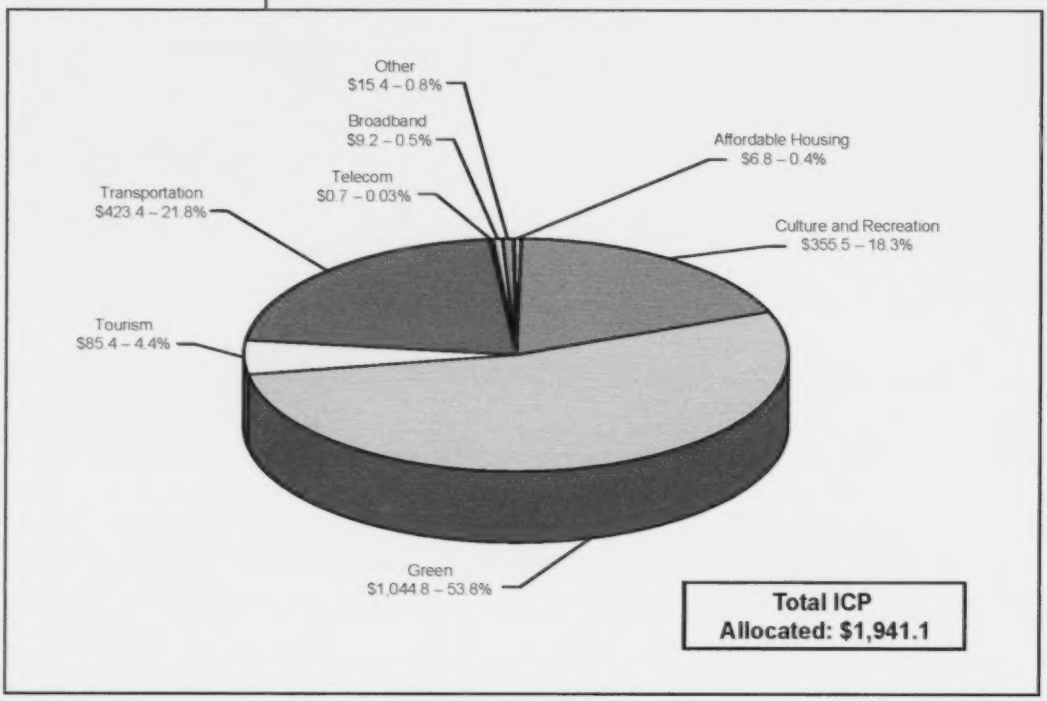
Table 8: ICP Funding Allocated to Approved Projects in 2005-2006, by Investment Category

Category	Total Number of Projects Approved	ICP Funds Allocated ($M)	Net Eligible Costs ($M)
Green Municipal	64	25.7	105.1
Local Transportation	9	5.1	15.7
Cultural and Recreational	15	5.6	24.9
Supporting Tourism	1	0.0	0.1
Other	3	0.6	1.8
Total	**92**	**37.1**	**147.7**

Note: Columns may not add due to rounding.

Figure 2: ICP Funding Allocated to Projects, by Investment Category as of March 31, 2006

($M)



ii) Municipal Rural Infrastructure Fund (MRIF)

MRIF focuses on projects that support sustainable development and quality of life, with a minimum 60% of its nation-wide expenditures devoted to projects addressing environmental quality objectives. The fund was allocated $1 billion for smaller-scale municipal infrastructure projects designed to improve the quality of life and economic opportunities in smaller centres, including a component addressing the infrastructure needs of First Nations communities.

Following the Treasury Board's approval of terms and conditions for the program, which provides funds for contributions to the projects and administrative costs, agreements have been signed with eight provinces and all territories. The fund is cost-shared, with the Government of Canada contributing, generally, one-third of a project's eligible costs. As part of its infrastructure programming activities, Infrastructure Canada also works to build capacity and foster knowledge acquisition on infrastructure and communities issues among municipalities and other partners. A Municipal Capacity Building component under MRIF seeks to encourage the use of integrated asset management by small-scale Canadian municipalities.

Results achieved: The summary of MRIF expenditures as of March 31, 2006, is provided in Table 9. During the reporting period, 327 new MRIF projects were approved, with a total federal contribution of $196.7 million. Major project categories included water systems, cultural and recreational facilities, local transportation and wastewater systems.

Table 9: MRIF Expenditures and Approved Projects as of March 31, 2006

Jurisdiction	MRIF Funding ($M)	# of Approved Projects as of Mar. 31, 2006	MRIF Share of Approved Projects as of Mar. 31, 2006 ($M)	Federal Expenditures in Previous Years ($M)[1]	Federal Expenditures in 2005-2006 ($M)[1]
British Columbia[2,3]	51.0	-	-	-	-
Alberta[3]	88.0	-	-	-	-
Saskatchewan	38.0	91	14.2	-	2.2
Manitoba	41.0	35	24.7	-	4.9
Ontario	298.0	120	124.5	0.4	3.6
Quebec	195.0	2	2.1	-	-
New Brunswick	33.0	26	16.6	-	0.4
Nova Scotia[4]	37.0	-	-	-	-
Prince Edward Island	18.0	34	5.0	-	-
Newfoundland & Labrador[4]	28.0	-	-	-	-
Yukon	16.0	9	4.4	-	-
Northwest Territories	16.0	12	10.7	-	-
Nunavut[4]	16.0	-	-	-	-
First Nations (in provinces)[3]	25.0	-	-	-	-
Sub-total	**900.0**	**329**	**202.1**	**0.4**	**11.1**
Federal Coordination	40.0				
Total	**940.0**				

1 Expenditures may include eligible adminstration costs by the province or territory.

2 The total allocation excludes $60 million transferred to CSIF for the Canada Line project in British Columbia.

3 Agreements were not in place as at March 31, 2006.

4 As of March 31, 2006, there were no projects announced for Nova Scotia, Newfoundland & Labrador, and Nunavut.

2. Large-Scale Strategic Programs

The second category of funding programs represents a move for Infrastructure Canada and the federal government into large-scale, strategic investments in support of key federal objectives of trade, security, productivity and sustainable development. The two funds under this category are the Canada Strategic Infrastructure Fund and the Border Infrastructure Fund.

i) Canada Strategic Infrastructure Fund (CSIF)

CSIF is directed to projects of major federal and regional significance in areas that are vital to sustaining economic growth and enhancing the quality of life of Canadians. These investments have been made in cooperation with the provinces and territories, municipalities, and the private sector. Maximum federal funding is set at 50% of total eligible project costs, except for broadband and northern infrastructure projects where funding can go up to a maximum of 75%.

Ten per cent of the CSIF allocation is targeted to projects identified as national priority projects: the Red River Floodway project in Manitoba; transportation infrastructure improvements under the "Corridors for Canada" in the Northwest Territories; the National Satellite Initiative to provide broadband access to Northern and remote communities; and the twinning of the Trans-Canada Highway in Banff National Park in Alberta[6]. Other projects funded include urban transit and sewage treatment infrastructure.

Results achieved: Details on the achievements of CSIF are provided in Tables 10 and 11. During the reporting period, 14 new projects were announced with a total federal contribution of $509.8 million. The newly announced projects included several highway, water and sewage treatment projects in Quebec, the Charlottetown harbour waterfront re-development, the Winnipeg Wastewater Treatment Project, and the Hamilton Harbour and Wastewater Improvement Project.

Since CSIF was launched, 57 projects have been announced (Table 10), and contribution agreements, establishing the legal basis for federal payments on projects, have been signed for 38 projects.

6 Details of these and other announced projects can be found at http://www.infrastructure.gc.ca/csif/projectmaps/project_desc_prov_e.shtml.

Table 10: CSIF Program Expenditures and Announced Projects as of March 31, 2006

Jurisdiction	Total CSIF Funding ($M)	# of Announced Projects as of Mar. 31, 2006	CSIF Share of Announced Projects as of Mar. 31, 2006 ($M)	# of Signed Project Agreements as of Mar. 31, 2006	CSIF Share of Signed Project Agreements as of Mar. 31, 2006 ($M)	Federal Expenditures in Previous Years ($M)	Federal Expenditures in 2005-2006 ($M)
British Columbia		3	735.0	3	672.5	39.6	201.3
Alberta		2	150.0	2	150.0	-	44.3
Saskatchewan		5	92.7	4	79.0	28.3	20.6
Manitoba		3	135.0	2	93.0	7.0	35.8
Ontario		11	1,147.0	5	510.0	51.9	43.4
Quebec		11	566.9	2	17.4	0.6	9.6
New Brunswick		4	245.0	3	226.5	39.2	20.3
Nova Scotia		2	90.5	2	90.5	7.7	17.0
Prince Edward Island		6	22.5	3	11.2	1.2	0.5
Newfoundland & Labrador		3	60.0	3	36.0	5.1	4.0
Yukon		2	26.0	1	15.0	4.9	4.3
Northwest Territories		1	40.0	1	40.0	14.9	15.4
Nunavut		2	40.0	2	20.0	7.7	1.0
National Priority Projects[2]		4	150.0	5	79.8	-[4]	-[4]
Sub-total	**4,178.0**	**57**[3]	**3,500.6**	**38**	**2,040.9**	**208.1**	**417.5**
Federal Coordination/ Research	187.0						
Total	**4,365.0**[1]						

Notes:

1 The original $4 billion allocation for CSIF has been supplemented as follows ($M):

New Brunswick Highways (New Brunswick)	140.0
GO Transit (Ontario)	65.0
Canada Line (British Columbia)	210.0
Less: Transfer to Parks Canada for Banff National Park Trans Canada Highway Improvements	(50.0)
	365.0

2 National Priority Project Details ($M)*:

Manitoba Floodway (Manitoba)	40.0
Corridors for Canada (Northwest Territories)	25.0
National Satellite Initiative	70.2
Northwest Territories	7.0
Nunavut	7.8
	150.0

* Another National Priority project representing $50 million was transferred to Parks Canada for the Trans Canada Highway improvements in Banff National Park.

3 This column adds up to 59 since the Corridors for Canada project in the Northwest Territories and the Manitoba Floodway project are double counted under the provincal jurisdictions and the National Priority projects.

4 Expenditures for these projects are included in the provincial/territorial jurisdictional amounts.

Project Profile: Broadband in Northwest Territories

Through the Canada Strategic Infrastructure Fund, the Government of Canada announced in January 2005 that it will provide up to $7 million over eight years to help defray the costs of satellite delivered internet connections for people living across the NWT.

The funding brings broadband coverage to northern Aboriginal communities in the NWT. It provides broadband access to more than 43,000 residents, 14,000 households, 2,531 institutions and 2,100 businesses in the NWT. Northern residents, including First Nations, Métis, and Inuvialuit are now beginning to have access to services that are increasingly taken for granted by many other Canadians. Services such as electronic banking and e-commerce, distance learning and telehealth will help stimulate economic growth and enhance quality of life.

A new broadband service is now being used by the people of the Northwest Territories.

Table 11: CSIF Projects Announced During 2005-2006

Province	Date	Project	Category	CSIF Contribution ($M)
Manitoba	November 28, 2005	Winnipeg Wastewater Treatment	Water and sewage treatment	42.0
Newfoundland & Labrador	August 11, 2005	Trans Canada Highway Rehabilitation	Highway or rail infrastructure	24.0
Ontario	October 24, 2005	Hamilton Harbour and Wastewater Improvement Project	Water and sewage treatment	35.0
	November 28, 2005	Toronto Soccer Stadium	Tourism or urban development	27.0
Prince Edward Island	November 8, 2005	Summerside Wellness Centre	Tourism or urban development	3.0
	December 13, 2005	Charlottetown Harbour Waterfront Development	Tourism or urban development	4.5
Quebec	May 2, 2005	Atwater and Des Baillets Water Projects, Montréal	Water and sewage treatment	58.5
	April 29, 2005	Autoroute 35	Highway or rail infrastructure	44.0[1]
	March 20, 2006	Rivière St-Charles Waste Water Project, Québec City	Water quality and access	36.5
	April 29, 2005	Route 185	Trade corridors	85.0
	April 29, 2005	Autoroute 50	Trade corridors	38.0
	April 29, 2005	Shortline Rail Projects	Trade corridors	30.0
	May 2, 2005	Échangeur Dorval	Sustainable urban growth	55.0
Saskatchewan	July 4, 2005	Regional rural water supply system	Water and sewage treatment	27.3
Total				**509.8**

1 An additional $13 million was made available to this project through the BIF program; $11 million for this project was transferred to CSIF from Canada Economic Development for Quebec Regions.

Project Profile: The Summerside Wellness Centre

Through the Canada Strategic Infrastructure Fund, the Government of Canada has committed up to $3 million towards the construction of the second phase of the Summerside Wellness Centre in Prince Edward Island.

Summerside Wellness Center drawing

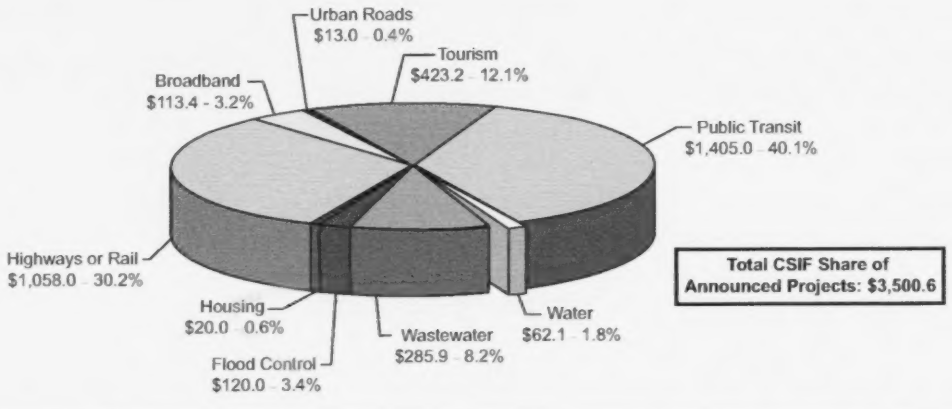
The construction of the multi-purpose recreational and business facility will provide a significant boost to the city's readiness to host activities during the 2009 Canada Summer Games. The Centre will also provide area residents with increased opportunities to stay active and enjoy community recreation, cultural and sporting activities.

The facility will have a seating capacity of 3,500, with standing room for an additional 400 people, and will be capable of staging concerts, entertainment, trade shows, conventions, sporting and special events. Where possible, the facility is incorporating the latest design features and "green" approaches to construction.

Figure 3 illustrates how the CSIF projects approved to date are distributed by category.

Figure 3: CSIF Funding, Allocated to Projects, by Investment Category as of March 31, 2006

($M)



Project Profile: Kicking Horse Canyon

In 2005-2006, the Governments of Canada and British Columbia signed a contribution agreement to provide up to $62.5 million to the project from the Canada Strategic Infrastructure Fund. The project will replace the Park (10-Mile) Bridge, upgrade approach curves, and construct and realign over 5 kilometres of new four-lane highway east of Golden, in the Kicking Horse Canyon.

Total project costs are expected to be $130 million. The province of British Columbia has decided to carry out the project via a public-private partnership. The Trans-Park Highway Group is designing, building, and partially financing the project and will operate the entire 25-km section of the highway.

The bridge, in an area of spectacular natural beauty, currently bears some 9,000 vehicles per day in summer. Project improvements will make the road safer for present and future traffic as well as increase the traffic bearing capacity. As part of the Trans-Canada Highway system, each day, up to 1,000 commercial transport trucks travel the through Kicking Horse Canyon. The total value of commercial traffic is estimated to exceed $13 billion (present value) over a 10-year period.

The British Columbia Ministry of Transportation

Construction of the Kicking Horse Canyon

ii) Border Infrastructure Fund (BIF)

BIF was established as a $600-million fund to target the six largest surface border crossings between Canada and the United States, as well as several other crossings. It has provided funding for investments in physical infrastructure, intelligent transportation system infrastructure, and improved analytical capacity. The fund reflects the importance of Canada's border crossings, ports and highway approaches to economic growth, trade and security both nationally and, as gateways, internationally. Infrastructure Canada manages the BIF program in partnership with Transport Canada under the terms of a Memorandum of Understanding.

Results achieved: The summary of BIF expenditures is provided in Table 12. During the reporting period, 3 new BIF projects were announced (Table 13) valued at a total federal contribution of $72 million, and 1 contribution agreement was signed for a previously announced project.

Table 12: BIF Expenditures and Announced Projects as of March 31, 2006

Jurisdiction	Total BIF Funding ($M)	# of Announced Projects as of Mar. 31, 2006	BIF Share of Announced Projects as of Mar. 31, 2006 ($M)	# of Signed Project Agreements as of Mar. 31, 2006	BIF Share of Signed Project Agreements as of Mar. 31, 2006 ($M)	Federal Expenditures in Previous Years ($M)	Federal Expenditures in 2005-2006 ($M)
British Columbia		2	90.0	1	88.0	15.3	27.8
Alberta		-	-	-	-	-	-
Saskatchewan		1	5.0	1	5.0	-	1.9
Manitoba		-	-	-	-	-	-
Ontario		4	308.1	2	154.0	20.9	38.7
Quebec		3	72.0	-	-	-	-
New Brunswick		2	45.0	1	30.0	2.4	3.8
Nova Scotia		-	-	-	-	-	-
Prince Edward Island		-	-	-	-	-	-
Newfoundland & Labrador		-	-	-	-	-	-
Yukon		-	-	-	-	-	-
Northwest Territories		-	-	-	-	-	-
Nunavut		-	-	-	-	-	-
National		-	-	-	-	-	-
Subtotal	**520.1**	**12**	**520.1**	**5**	**277.0**	**38.6**	**72.3**
Funds not yet allocated	58.9	-	58.9				
Federal Coordination	18.0	-	18.0				
Total	**597.0**[1]	**12**	**597.0**				

1 The total allocation for BIF excludes $3 million, which was tranferred to the Canada Border Services Agency for the Border Modelling project.

Table 13: BIF Projects Announced During 2005-2006

Date	Project	Federal Contribition ($M)
April 29, 2005	Quebec: Autoroute 55	7.5
April 29, 2005	Quebec: Route 173/Autoroute 73	51.5
April 29, 2005	Quebec: Autoroute 35*	13.0
Total		**72.0**

* The Quebec Autoroute 35 is a jointly funded project with $13 million allocated from BIF and $44 million allocated from CSIF.

Project Profile: U.S. Plaza at the Peace Bridge

In November 2005, the new U.S. Plaza was opened at the Peace Bridge, in Southern Ontario. Through the Border Infrastructure Fund, the Government of Canada committed $21 million to this project, which was matched by the Buffalo and Fort Erie Public Bridge Authority. The Peace Bridge is located between Fort Erie, Ontario, and Buffalo, New York.

Work on reconfiguring and improving the U.S. Plaza includes:

- Increasing United States-bound inspection processing facilities by the installation of three additional booths, which can be used by both passenger and commercial vehicles;
- Traffic flow realignment, utility relocation, drainage and landscaping;
- Demolishing the existing toll band and booths from the U.S. side of the Peace Bridge and moving them to the Canadian side of the bridge; and
- Relocating five automobile inspection lanes to the north end of the U.S. plaza, allowing room for three new truck inspection lanes; a 75 per cent increase in processing capacity.

This project has increased the movement of goods and people to and from the United States and Canada, bringing key economic benefits.

Technological and design improvements at the Peace Bridge Border crossing, such as the relocation of the secondary inspection facilities at the Canadian Plaza, reduce congestion and enhance the security and free flow of trade between Canada and the United States.

3. Gas Tax and Public Transit Funds

The third type of infrastructure programming consists of agreements with provincial and territorial governments, provincial/territorial municipal associations and the City of Toronto for a total of $5 billion in transfers from the federal gas tax to benefit Canada's communities, as well as $400 million of federal contributions to public transit. The various agreements are available on Infrastructure Canada's website (**www.infrastructure.gc.ca/ndcc/agreements/index_e.shtml**).

i) Gas Tax Fund (GTF)

GTF is a $5-billion transfer payment program to be delivered from 2005-2006 to 2009-2010, which was established to make available a portion of the federal gas tax for the benefit of municipalities. This fund will enable municipalities to make the long-term financial investments needed to help contain urban sprawl and to invest in environmentally-sustainable infrastructure projects in such areas as transit, water and sewers, solid waste and community energy systems.

Infrastructure Canada is responsible for overall coordination and communications related to this initiative and for the federal/provincial/territorial negotiations as well as the ongoing administration of this initiative, including the finalization of agreements, making of payments, receipt and review of required reports, and the execution of evaluations.

This initiative is managed through agreements entered into by the Minister with each provincial/territorial government, the City of Toronto and in some cases a municipal association. Each signed agreement calls for the establishment of an Oversight Committee to monitor the overall strategic implementation of the agreement. Some agreements include a commitment for future collaboration via trilateral agreements.

Eligible investments include capital expenditures for environmentally sustainable municipal infrastructure. Project categories are:

- Water;
- Wastewater;
- Solid waste;
- Public transit;
- Community energy systems; and
- Local roads and bridges.

Funding is also available for capacity development to enable communities to design and implement integrated community sustainability plans.

Results achieved: Agreements that have been negotiated with the provinces and territories on the federal gas tax transfer include arrangements for reporting on results to Canadians and residents of the particular jurisdiction and a commitment to develop a set of base indicators related to outcomes and outputs.

During 2005-2006, a major achievement was the negotiation of twelve gas tax agreements with the provinces and territories totalling $4.9 billion. The final two agreements were being negotiated as of March 31, 2006. All agreements include a capacity building element. Several of these agreements included new partnership arrangements. For example, the City of Toronto and Association of Ontario Municipalities are signatories to the Ontario agreement, and the Union of British Columbia Municipalities is a signatory to the agreement with British Columbia. Other agreements include a commitment for future collaboration via trilateral agreements. During fiscal year 2005-2006, Oversight Committees were established in 10 provinces and territories and $580 million was transferred to provinces and territories through the GTF.

Project Profile: Agreement on federal gas tax investments for Saskatchewan's cities and communities

Through the Gas Tax Fund, the Government of Canada signed 12 agreements in 2005-2006 which resulted in over 95% of the 2005-2006 funds being transferred to provinces and territories. In Saskatchewan, municipalities are benefiting from more than $147 million, over five years.

Gas tax funds are targeted to help ensure cleaner air, cleaner water and reduced greenhouse gas emissions. Eligible project categories include public transit, community energy systems, water, wastewater management, solid waste management, and roads and bridges, where it can be demonstrated that they will enhance environmental sustainability outcomes. Funding can also be used to help municipalities build the capacity to plan more sustainable communities.

The agreement signed with Saskatchewan is part of an effort to build new relationships, strengthen the connections among federal programs that benefit cities and communities, and provide predictable and stable long-term funding.

ii) Public Transit Fund (PTF)

PTF is an $400-million transfer payment program designed to provide funding to improve public transit services to Canadians. PTF offers the potential to reduce greenhouse gas emissions and smog in urban areas by improving services and offering Canadians greater flexibility in their transportation options.

PTF was designed to build on the GTF agreements, and its terms and conditions mirror those of the latter. The Government of Canada's role in the day-to-day delivery and administration of the fund is limited, but funding is governed by agreements that set out a rigorous accountability regime that will enable the Minister to report to Parliament on how this funding is being spent.

Eligible investments will include capital expenditures for public transit infrastructure, defined as local infrastructure projects falling in one of the following categories:

- Rapid transit infrastructure;
- Rolling stock;
- Intelligent transport system;
- Related capital infrastructure;
- Active transportation infrastructure; and
- Para transit.

The initial recipients for PTF funds are the provinces/territories and municipalities. Ultimate recipients include the provinces/territories, municipal entities and public transit agencies. Each province/territory decides on the method of delivering this program, including processes for project application and selection.

Results achieved: The main achievement during the reporting period was the negotiation of nine public transit agreements with provinces and territories, representing $380 million. The final four agreements representing $20 million were being negotiated as of March 31, 2006. It should be noted that both funds (GTF and PTF agreements) incorporate several accountability features, including the use of Oversight Committees, performance measurement and reporting, and a requirement for audit and evaluation.

B. Research and Sharing Knowledge

Infrastructure Canada is committed to building, connecting and sharing research and other kinds of knowledge about infrastructure, cities and communities. The cornerstone of the organization's role on research is the Research Strategy, with its three objectives of: Knowledge Generation; Community Building; and Knowledge Transfer.

Infrastructure Canada has six current priority areas for research:

- Communities, cities and public infrastructure;
- The state of infrastructure in Canada's communities;
- The economic, social, cultural and environmental impacts of public infrastructure on communities;
- Financing mechanisms for public infrastructure;
- Technology, innovation and transformative infrastructure; and
- Governance issues related to public infrastructure and communities.

In each of these areas, specific issues requiring research attention have been identified in light of Infrastructure Canada's immediate and medium-term policy and operational activities. The issues are communicated publicly on the organization's Research Gateway.

Infrastructure Canada's primary research activities include:

- Conducting research in the six research priority areas;
- Fostering collaborative research projects with other federal government departments and agencies, other orders of government, non-governmental organizations, professional associations, research institutes, university-based researchers, international organizations such as the OECD and the World Bank, and others;
- Continuing to lead its federal research network, consisting of the Assistant Deputy Minister Network on Infrastructure Research and the Horizontal Research Roundtable on Infrastructure, which involve more than 25 federal organizations with interests in infrastructure, cities and communities research;
- Continuing to enhance the tools for knowledge transfer, including the web portal, and the Research Gateway (**http://www.infrastructure.gc.ca/research-recherche/index_e.shtml**); and
- Administering two research funding programs, the Knowledge-building, Outreach and Awareness program and the Peer Reviewed Research Studies program.

Results Achieved

The expected result of this sub-activity is *the creation and dissemination of knowledge important to the sustainability of infrastructures and communities.* Key performance indicators are:

i. Knowledge generation: Creating new, more multi-disciplinary insights on infrastructure, cities and communities issues.

ii. Community building: Increasing research capacity through the fostering of stronger research networks.

iii. Knowledge transfer: Ensuring research results are available and useable to researchers and policy-makers.

i) Knowledge generation

Infrastructure Canada completed over a dozen in-house research studies in 2005-2006. The studies, which covered each of the six research priority areas, addressed various issues, including:

- The state of infrastructure in Australia and the US;
- The impacts of non-renewable resource development on community infrastructure in the North;

- Water metering as a tool for demand management;
- Report card methodologies for tracking changes in infrastructure and communities;
- The history of key Canadian public capital assets; and
- Emerging issues on research on neighbourhoods.

One of the new issues for research in the reporting period was the productivity impact of investing in infrastructure (see box).

Public Investment in Infrastructure: Impacts on Productivity

Infrastructure Canada is taking a lead role in studying the contribution of public infrastructure investment to productivity. This is a relatively new area of research; existing research is generally backward-looking and does not take into account structural changes that have affected productivity rates and innovation.

Early results conclude that investment in public infrastructure contributes to productivity, even though the magnitude of contribution has been contested and a variety of methodologies and conceptual frameworks result in differences in conclusions. Other key findings include:

- The negative productivity impacts of under-investment are greater than the positive impacts of increased investment;
- Returns on investment (ROI) are higher in areas where infrastructure is neglected versus where it is maintained; and
- Productivity benefits accrue by sector — for example, investments in transportation infrastructure have higher ROI in industries with high vehicle shares.

Infrastructure Canada will continue to advance its research agenda on productivity.

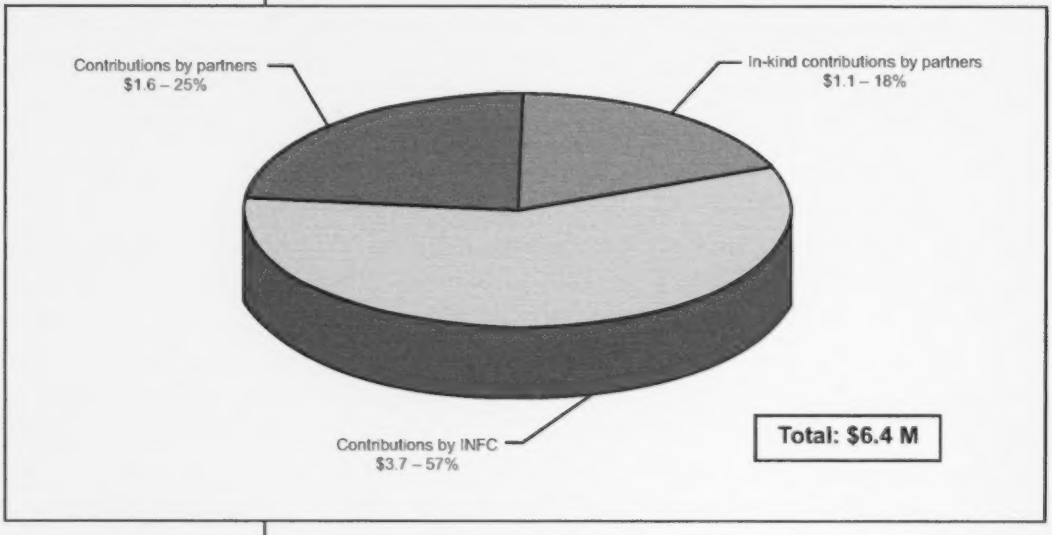
One of the major tools that Infrastructure Canada has developed to generate knowledge, and complement its objectives on community building and knowledge transfer, is its 5-year, $25-million research funding initiative. The initiative comprises the Knowledge-building, Outreach and Awareness program (KOA) and the Peer Reviewed Research Studies program (PRRS). Details on the two programs can be found on the Infrastructure Canada web site **http://www.infrastructure.gc.ca/research-recherche/rko/index_e.shtml**.

As a result of the first call for proposals under the KOA program, Infrastructure Canada entered into Contribution Agreements with ten recipients. A total of $3.6 million is being contributed over three years to build knowledge and awareness of infrastructure and communities issues. Figure 4 illustrates the funding contributions leveraged by projects funded through Round 1 of the KOA program, including both financial and in-kind contributions by funding partners.

The KOA program's second call for proposals was launched in 2005-2006. Final funding decisions were pending at the end of the reporting period.

Figure 4: KOA Round 1 Funding Contributions to Research Projects

($M)



For the Peer Reviewed Research Studies program, Infrastructure Canada entered into an innovative arrangement with the Social Sciences and Humanities Research Council and the Natural Sciences and Engineering Research Council whereby the two granting councils assist with the delivery of the program, in particular the peer review process. The first call for proposals under the program was launched in summer 2005. Final funding decisions were pending at the end of the reporting period.

ii) Community building

Infrastructure Canada continued in 2005-2006 to develop its federal research network. This consists of the interdepartmental ADM-level network on infrastructure research and the working level Horizontal Research Roundtable on Infrastructure (HRRI). The objective of the network is to undertake, collaborate on, and share research on infrastructure, cities and communities and ensure that research findings are effectively transferred to policy work and processes across the federal government. Infrastructure Canada hosted the third annual meeting of the ADM-level network, as well as four HRRI events to share and develop knowledge in each of the research priority areas.

Infrastructure Canada continued to work with Statistics Canada to explore ways to increase and improve data on public infrastructure available to support research, policy development, and decision-making, and to inform the public on infrastructure and communities issues. Three major projects were undertaken during the reporting period with the results expected to be available in 2006-2007.

A key priority in 2005-2006 was expanding Infrastructure Canada's research networks externally. A collaborative project with the Department of Municipal and Community Affairs of the Government of the Northwest Territories was established during the reporting period to examine the impacts of natural resource development on Northern community infrastructure (see text box on next page). An experts' workshop involving representatives from federal, provincial and municipal governments, the university-based research community, the oil and gas industry, and local engineering firms, was held in Norman Wells, Northwest Territories in November 2005.

Northern Communities: Boom, Bust and the Role of Infrastructure

A workshop was held in the NWT in November 2005 to advance the partnership between Infrastructure Canada and the Northwest Territories' Department of Municipal and Community Affairs (MACA) and to bring together 28 experts from various backgrounds and fields. In advance of the event, Infrastructure Canada prepared a background report on non-renewable resource development and community infrastructure in the North.

The primary objectives of the workshop were to improve understanding of the impacts of the proposed Mackenzie Valley Pipeline project on local community infrastructure in the NWT and collectively develop possible next steps for future research. The workshop was organized around three themes:

- How community infrastructure is impacted by resource development;
- Planning for resource development; and
- Strategies for moving ahead.

Many concrete suggestions for future research were tabled at the workshop, which concluded with a renewed commitment from Infrastructure Canada, MACA and local communities to continue to work together to conduct relevant, targeted research that will support communities affected by the proposed development of the Mackenzie Valley Pipeline.

Infrastructure Canada has taken a leading role in a two-year research project coordinated by the International Futures Programme of the Organisation for Economic Co-operation and Development (OECD). The project involves examining the opportunities and challenges facing the infrastructure sector worldwide over the next 30 years and developing policy recommendations for OECD governments to enhance the contribution of infrastructure to economic and social development. During the reporting period, Infrastructure Canada continued to provide research support and Canadian input for the project and to participate as part of the Steering Group.

Infrastructure Canada provided administrative and research assistance to the External Advisory Committee on Cities and Communities (EACCC) and synthesized what was learned. EACCC was established by the federal government in February 2004. Its mandate was to develop a long-term vision of the role that cities and communities should play in sustaining Canada's quality of life and to provide advice on the kinds of policies that should be developed relating to cities and communities; and to advise on engaging provincial, territorial and Aboriginal governments on the cities and communities agenda.

In 2004-2005, EACCC met in communities across the country and heard from local leaders, community agencies, stakeholders, subject-matter experts and individual Canadians on issues related to cities and communities. In September 2005, Infrastructure Canada organized, on behalf of EACCC, the Planning for Sustainable Canadian Communities Roundtable. This event brought together experts from across the country and advanced the collective thinking on the implementation of integrated community sustainability planning. EACCC is expected to present its final report in the summer 2006. The report will be available on the Infrastructure Canada web site. (For more information, refer to **http://www.infrastructure.gc.ca/eaccc-ccevc/index_e.shtml**.)

In October 2005, Infrastructure Canada and the Organisation for Economic Co-operation and Development (OECD) co-organised an international conference on Sustainable Cities: Linking Competitiveness with Social Cohesion, hosted in Montréal. This event brought together experts, government ministers (including national, regional and local leaders), policy makers, business leaders, and community leaders from across Canada and around the world to share best practices among OECD partners on city competitiveness. (For more information, refer to **http://www.oecd.org/document/45/0,2340,en_2649_34413_35188077_1_1_1_1,00.html**.)

iii) Knowledge transfer

The Research Gateway provides the research community and users of research with a unique portal to infrastructure, cities and communities research. Internet statistics show that the majority of traffic on the Gateway can be attributed to repeat visitors (73%), many of whom visit the site outside of regular business hours. Geographically, the site traffic is attributable to domestic and international visitors from as many as 57 different countries around the globe.

Enhancements introduced over the reporting period include the addition of new research studies, tools and links, as well as information about research projects funded through Infrastructure Canada's research funding programs, and a user-friendly online application system for both programs and corresponding user guides. Additions and upgrades to the online Register of Research have also been made.

The InfraGuide project, funded under the Infrastructure Canada Program, identifies and disseminates best practices and encourages innovation to support sustainable municipal infrastructure decisions and actions that protect and enhance the quality of life of Canadians. The Federation of Canadian Municipalities provides the lead role for this project. (For more information, refer to **http://www.infraguide.ca/**.)

Several other research dissemination tools contributing to the broader knowledge transfer objectives were introduced or refined during 2005-2006. They include information sheets incorporated as standard media for the Infrastructure Canada conference and events booth, regular presentations to senior management and other internal/external audiences on the organization's research activities and findings. Other tools, with internal and interdepartmental circulation, include bi-monthly thematic updates on research results completed internally and in collaboration with research partners.

2.2 Crown Corporations Portfolio Management

Description

This Program Activity consisted of the Crown Corporations Secretariat which included four Crown corporations – the Canada Lands Company Limited, the Old Port of Montréal Corporation Inc., Parc Downsview Park Inc., and Queens Quay West Land Corporation. During 2005-2006, the Crown Corporation Secretariat was transferred from Infrastructure Canada to Transport Canada, as part of the new Transport, Infrastructure and Communities Portfolio.

Crown corporations are commercial entities that operate at arm's length from government, but with specific public policy mandates and objectives. They are wholly owned by the Crown and, pursuant to the *Financial Administration Act* and their enabling legislation, are held accountable to Parliament through the responsible Minister.

This Crown Corporations Secretariat provides the Minister and Deputy Minister with administrative, policy, communications and logistical advice and support on all matters pertaining to these Crown corporations.

Table 14: Financial and Human Resource Requirements, Crown Corporations Portfolio, 2005-2006

($ thousands)

Main Estimates	Planned Spending	Total Authorities	Actual Spending	FTEs Actual
$5,942	$5,942	$24,666	$24,251	12.5

Section III: Supplementary Information

3.1 Organizational Information

The Honourable Lawrence Cannon is the Minister responsible for the Transport, Infrastructure and Communities portfolio[7].

Infrastructure Canada is headed by a Deputy Head, Louis Ranger, who reports to the Minister. The Deputy Head is supported by four Assistant Deputy Ministers:

- A/Senior Assistant Deputy Minister, Policy and Communication: Gerry Maffre
- Assistant Deputy Minister, Cities and Communities: Yazmine Laroche
- Assistant Deputy Minister, Program Operations: Carol Beal
- Assistant Deputy Minister, Corporate Services/Chief Financial Officer: David Cluff

Infrastructure Canada's organizational structure is presented in Figure 5.

Figure 5: Infrastructure Canada Organization Chart

Minister of Transport, Infrastructure and Communities			
Deputy Head			
Senior Assistant Deputy Minister	Assistant Deputy Minister	Assistant Deputy Minister	Assistant Deputy Minister
Policy & Communications • Policy & Priorities • Research & Analysis • Communications	**Cities and Communities** • Policy and Research • Operations	**Program Operations** • Intergovernmental Operations • Issues Management	**Corporate Services/Chief Financial Officer** • Finance, Administration & Planning • IM/IT • Internal Audit & Evaluation • Human Resources

7 On February 6, 2006, Infrastructure Canada became part of the Transport, Infrastructure, and Communities Portfolio under the responsibility of the Minister of Transport, Infrastructure, and Communities.

Departmental Partners

Infrastructure Canada collaborates with other federal departments and agencies to affect the delivery of infrastructure programs. For example, the organization works closely with Indian and Northern Affairs Canada in respect to projects in the territories and those that involve First Nations in the provinces. It also works closely with Western Economic Diversification Canada, Industry Canada, Canada Economic Development for Quebec Regions, the Atlantic Canada Opportunities Agency, and Transport Canada. Other major federal partners include Environment Canada, Canada Mortgage and Housing Corporation, and Public Works and Government Services Canada. These departments and agencies share their knowledge of local needs and priorities, as well as their technical expertise, resources and governance structures and are critical to the organization's ability to fulfill its mandate. For transport-related CSIF and BIF projects, Transport Canada provides the federal lead role while Infrastructure Canada provides a supportive role.

In addition to federal partners, Infrastructure Canada collaborates with provincial, territorial and municipal governments and associations, as well as universities, research institutes, civil society organizations, the private sector and other experts. This collaboration is intended to:

- Generate new, horizontal insights into infrastructure and place-based issues;
- Develop a stronger, more multi-disciplinary research community that can provide support for policy and decision makers in the multiple sectors involved in addressing Canada's infrastructure needs; and
- Disseminate and communicate knowledge about infrastructure to key partners.

3.2 Supplementary Tables

Table 15: Comparison of Planned to Actual Spending (including FTEs)

($ thousands)	Actual 2003-04	Actual 2004-05	2005-2006			
			Main Estimates	Planned Spending	Total Authorities	Actual
Infrastructure and Communities	73,883	227,901	788,035	1,527,438	1,770,051	1,503,085
Crown Corporations Portfolio Management	-	22,468	5,942	5,942	24,666	24,251
Total	**73,883**	**250,369**	**793,977**	**1,533,380**	**1,794,717**	**1,527,336**
Plus: Cost of services received without charge	-	-	-	1,033	2,440	2,440
Total Departmental Spending	**73,883**	**250,369**	**793,977**	**1,534,413**	**1,797,157**	**1,529,776**
Full Time Equivalents	**92**	**179**		**205**		**180**

Table 16: Resources by Program Activity

($ thousands)

2005-2006			
	Budgetary		
Program Activity (PA)	Operating	Grants and Contributions	Total
Infrastructure and Communities			
Main Estimates	18,916	769,119	788,035
Planned Spending	18,876	1,508,562	1,527,438
Total Authorities	42,116	1,727,935	1,770,051
Actual Spending	35,891	1,467,194	1,503,085
Crown Corporations Portfolio Management			
Main Estimates	5,942	-	5,942
Planned Spending	5,942	-	5,942
Total Authorities	4,341	20,325	24,666
Actual Spending	3,926	20,325	24,251
Total Agency			
Main Estimates	24,858	769,119	793,977
Planned Spending	24,818	1,508,562	1,533,380
Total Authorities	46,457	1,748,260	1,794,717
Actual Spending	39,817	1,487,519	1,527,336

Table 17: Voted and Statutory Items

($ thousands)

Vote or Statutory Item	Truncated Vote or Statutory Wording	2005-2006			
		Main Estimates	Planned Spending	Total Authorities	Actual
1	Operating expenditures	19,314	20,818	43,911	37,272
5	Grants and contributions	769,119	908,562	765,119	504,378
5	Payments to Old Port of Montréal Corporations Inc.	-	-	16,325	16,325
10	Payments to the Queens Quay West Land Corporation	4,000	4,000	4,000	4,000
(S)	Gas Tax Fund	-	600,000	581,928	581,928
(S)	Public Transit Fund	-	-	380,888	380,888
(S)	Contributions to employee benefit plans	1,544	-	2,546	2,546
	Total	**793,977**	**1,533,380**	**1,794,717**	**1,527,336**

Table 18: Net Cost of Department

($ thousands)

	2005-2006
Total Actual Spending	1,527,336
Plus: Services Received without Charge	
Accommodation provided by Public Works and Government Services Canada (PWGSC)	1,299
Contributions covering employers' share of employees' insurance premiums and expenditures paid by TBS (excluding revolving funds)	1,141
2005-2006 Net cost of Department	**1,529,776**

Table 19: Details on Transfer Payment Programs (TPPs)

Infrastructure Canada managed the following transfer payment programs in excess of $5 million:

- Contributions under the Canada Strategic Infrastructure Fund;
- Contributions under the Border Infrastructure Fund;
- Contributions under the Municipal Rural Infrastructure Fund;
- Transfer Payments under the Gas Tax Fund;
- Contributions under the Public Transit Fund; and
- Contributions under the Peer Review Research Studies and the Knowledge-building, Outreach and Awareness programs.

For further information on the above-mentioned transfer payment programs see: **http://www.tbs-sct.gc.ca/rma/dpr1/06-07/index_e.asp**.

Table 20: Reporting on Horizontal Initiatives

The objective of reporting on horizontal initiatives is to provide Parliamentarians, the public and government with an overall picture of public expenditures, plans, priorities and achievements for all major horizontal initiatives.

A horizontal initiative is an initiative in which partners, from two or more organizations have agreed under a formal funding agreement to work towards the achievement of shared outcomes. Over the last year, Infrastructure Canada led in the following five horizontal initiatives: CSIF; BIF; ICP; MRIF and PRRS.

Supplementary information on the above-mentioned Horizontal Initiatives can be found at **http://www.tbs-sct.gc.ca/est-pre/estime.asp**.

Table 21: Financial Statements of Infrastructure Canada (Unaudited)

Office of Infrastructure of Canada

Financial Statements (Unaudited)
For the Year Ended March 31, 2006

Office of Infrastructure of Canada

Statement of Management Responsibility

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2006 and all information contained in these statements rests with departmental management. These financial statements have been prepared by management in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment and gives due consideration to materiality. To fulfil its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the department's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the department's *Departmental Performance Report* is consistent with these financial statements.

Management maintains a system of financial management and internal control designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are in accordance with the *Financial Administration Act*, are executed in accordance with prescribed regulations, within Parliamentary authorities, and are properly recorded to maintain accountability of Government funds. Management also seeks to ensure the objectivity and integrity of data in its financial statements by careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout the department.

Management has established a Departmental Audit and Evaluation Committee (DAEC) that provides leadership oversight and advice, in the broad areas of audit and evaluation, including financial and performance reporting. The Committee is chaired by the Deputy Head and membership includes the Assistant Deputy Ministers of the department. In addition to responsibilities related to audit and evaluation, the DAEC is responsible for reviewing the departmental financial statements and all significant accounting estimates and judgments therein.

The financial statements of the department have not been audited.

André Juneau
Deputy Head

David Cluff
Senior Financial Officer

Signed at Ottawa, ON
August 15, 2006

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Office of Infrastructure of Canada
Statement of Operations *(Unaudited)*
For the Year Ended March 31
(in thousands of dollars)

Expenses	**2006**	**2005**
Transfer payments (Note 4)	1,487,519	199,210
Operating expenses (Note 5)	42,557	34,227
Other expenses		
Loss on loan write-off (Note 6)	31,300	-
Payments to Crown Corporations (Note 7)	-	19,274
Total expenses	**1,561,376**	**252,711**
Revenues (Note 8)	**15,793**	**5,000**
Net Cost of Operations	**1,545,583**	**247,711**

The accompanying notes form an integral part of these financial statements.

3

Office of Infrastructure of Canada
Statement of Financial Position *(Unaudited)*
At March 31
(in thousands of dollars)

	2006	2005
Assets		
Financial assets		
Accounts receivable and advances (Note 9)	59,255	34,821
Loans receivable (Note 6)	-	31,300
Total financial assets	**59,255**	**66,121**
Non-financial assets		
Prepaid expenses	-	230
Tangible capital assets (Note 10)	254	175
Total non-financial assets	**254**	**405**
TOTAL	**59,509**	**66,526**
Liabilities		
Accounts payable	2,257	2,087
Accrued and other liabilities (Note 11)	324,384	47,745
Vacation pay and compensatory leave	809	890
Employee severance benefits (Note 12)	2,940	2,132
Total liabilities	**330,390**	**52,853**
Equity of Canada	**(270,881)**	**13,673**
TOTAL	**59,509**	**66,526**

Contractual obligations (Note 13)
The accompanying notes form an integral part of these financial statements.

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Office of Infrastructure of Canada
Statement of Cash Flow *(Unaudited)*
For the year ended March 31
(in thousands of dollars)

	2006	2005
Operating activities		
Net cost of operations	1,545,583	247,711
Non-cash items:		
Amortization of tangible capital assets (Note 10)	(33)	(26)
Loss on writeoffs	(31,300)	-
Services provided without charge (Note 14)	(2,440)	(2,099)
Variations in Statement of Financial Position		
Decrease (increase) in liabilities	(277,537)	(8,580)
Increase (decrease) in receivables	24,434	17,859
Increase (decrease) in prepaid expenses	(230)	230
Cash used by operating activities	**1,258,477**	**255,095**
Capital investment activities		
Net acquisition of tangible capital assets	112	44
Cash used by capital investment activities	**112**	**44**
Financing activities		
Net cash provided by Government of Canada	**1,258,589**	**255,139**

The accompanying notes form an integral part of these financial statements.

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Office of Infrastructure of Canada
Statement of Equity of Canada *(Unaudited)*
At March 31
(in thousands of dollars)

	2006	2005
Equity of Canada, beginning of year	13,673	4,146
Net cost of operations	(1,545,583)	(247,711)
Current year appropriations used (Note 3)	1,527,336	250,368
Revenue not available for spending	(16,453)	(6,139)
Change in net position in the Consolidated Revenue Fund (Note 3)	(252,294)	10,910
Services provided without charge (Note 14)	2,440	2,099
Equity of Canada, end of year	**(270,881)**	**13,673**

The accompanying notes form an integral part of these financial statements.

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Office of Infrastructure of Canada

Notes to the Financial Statements (Unaudited)

1. Authority and Objectives

The Office of Infrastructure of Canada (INFC) was created in 2002 as a separate organization under Schedule I.1 of the *Financial Administration Act*. The applied name for this organization is Infrastructure Canada (INFC).

INFC was established to lead the Government of Canada's effort to address the infrastructure challenges of Canadian cities, communities and regions through research, policies and transfer payment programs. Order in Council 2004-325 authorizes the Minister to enter into transfer payment agreements and contracts related to infrastructure initiatives in Canada. One of the major funding programs managed by the Office is the Canada Strategic Infrastructure Fund, which operates under the authority of its own act, the *Canada Strategic Infrastructure Fund Act*, resulting from the Budget Implementation Act, 2001.

As well, the Department has been mandated to be the federal focal point for cities and communities agenda. As part of this agenda, INFC is responsible for the sharing of federal gas tax revenue with Canada's cities and communities in addition to initiatives related to funding of public transit infrastructure.

In 2005-06, INFC was also responsible for four Crown Corporations including the Canada Lands Company Limited, the Old Port of Montreal Corporation Inc., Parc Downsview Park Inc., and Queens Quay West Land Corporation. Each of these Crown corporations supports federal commitments to cities and communities through activities such as redeveloping surplus federal lands to meet community needs, and providing green space in urban areas. As part of government restructuring, responsibility for these Crown corporations was transferred to Transport Canada. This change will be reflected in the financial statements for 2006-07.

INFC is funded mostly through annual appropriations received from the Parliament of Canada and is not taxable under the provisions of the *Income Tax Act*.

As of February 6, 2006, INFC reports to the Minister of Transport, Infrastructure and Communities.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Significant accounting policies are as follows:

(a) Parliamentary appropriations – the Department is financed by the Government of Canada mostly through Parliamentary appropriations. Appropriations provided to the department do not parallel financial reporting according to generally accepted accounting principles since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the statement of operations and the statement of financial position are not necessarily the same as those provided through appropriations from Parliament. Note 3 provides a high-level reconciliation between the bases of reporting.

(b) Net Cash Provided by Government – The department operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the department is deposited to the CRF and all cash disbursements made by the department are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the federal government.

(c) Change in net position in the Consolidated Revenue Fund is the difference between the net cash provided by Government and appropriations used in a year, excluding the amount of non respendable revenue recorded by the department. It results from timing differences between when a transaction affects appropriations and when it is processed through the CRF.

(d) Revenues:

- Revenues from regulatory fees are recognized in the accounts based on the services provided in the year.
- Other revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.

(e) Expenses – Expenses are recorded on the accrual basis:

- Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement;
- Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.
- Services provided without charge by other government departments for accommodation and the employer's contribution to the health and dental insurance plans are recorded as operating expenses at their estimated cost.

(f) Employee future benefits:

i. Pension benefits: Eligible employees participate in the Public Service Pension Plan *(Public Service Superannuation Act)*, a multi-employer plan administered by the Government of Canada. The department's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Current legislation does not require the department to make contributions for any actuarial deficiencies of the Plan.

ii. Severance benefits: Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(g) Accounts receivables and advances are stated at amounts expected to be ultimately realized; a provision is made for receivables where recovery is considered uncertain.

(h) Foreign currency transactions – Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions.

(i)Tangible capital assets – All tangible capital assets and leasehold improvements having an initial cost of $10,000 or more are recorded at their acquisition cost. The department does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian Reserves and museum collections. Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

Asset class	Amortization period
Informatics Hardware	*5* to *10* years
Informatics Software	*3* years
Vehicles	*5* years

(k) Measurement uncertainty —The preparation of these financial statements in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are the liability for employee severance benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

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3. Parliamentary Appropriations

The Department receives most of its funding through annual Parliamentary appropriations. Items recognized in the statement of operations and the statement of financial position in one year may be funded through Parliamentary appropriations in prior, current or future years. Accordingly, the Department has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

(a) Reconciliation of net cost of operations to current year appropriations used:
(in thousands of dollars)

	2006	2005
Net cost of operations	1,545,583	247,711
Adjustments for items affecting net cost of operations but not affecting appropriations:		
Add (Less):		
Revenue not available for spending	16,452	6,139
Vacation pay and compensatory leave	69	(252)
Amortization of tangible capital assets	(33)	(26)
Other	(299)	(154)
Employee Severance Benefits	(808)	(991)
Services provided without charge	(2,440)	(2,099)
Loss on loan write-off	(31,300)	-
	1,527,224	250,328
Adjustments for items not affecting net cost of operations but affecting appropriations		
Add (Less):		
Acquisitions of tangible capital assets	112	44
Loans, investments and advances	-	(4)
Current year appropriations used	1,527,336	250,368

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(b) Appropriations provided and used

(in thousands of dollars)	Appropriations Provided 2006	2005
Vote 1 - Operating expenditures	43,911	
Vote 2 - Operating expenditures		30,923
Vote 5 - Contributions	785,444	
Vote 7 - Contributions		480,794
Vote 12a - Payments to Old Port of Montreal Corporation Inc.		16,100
Vote 14b - Payments to Queens Quay West Land Corporation		4,000
	829,355	531,817
Statutory amounts	965,362	1,996
Less:		
Appropriations available for future years		
Lapsed appropriations: Operating	(6,640)	(2,056)
: Contributions	(260,741)	(281,389)
Current year appropriations used	**1,527,336**	**250,368**

c) Reconciliation of net cash provided by Government to current year appropriations used

(in thousands of dollars)	2006	2005
Net cash provided by Government	1,258,589	255,139
Revenue not available for spending	16,453	6,139
Change in net position in the Consolidated Revenue Fund		
Increase (decrease) in accounts receivable and advances	(24,434)	(17,859)
Increase (decrease) in accounts payable and accrued liabilities	277,537	9,721
Other adjustments	(809)	(2,772)
	252,294	(10,910)
Current year appropriations used	**1,527,336**	**250,368**

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4. Transfer payments

Programs (in thousands of dollars)	2006	2005
Gas Tax Fund	581,928	-
Canada Strategic Infrastructure Fund	417,530	156,260
Public Transit Fund	380,888	-
Border Infrastructure Fund	72,301	38,759
Old Port of Montreal Corporation	16,325	-
Municipal Rural Infrastructure Fund	11,067	418
Queens Quay West Land Corporation	4,000	-
Infraguide	2,725	3,720
Research, Knowledge & Outreach Program	755	53
Total	1,487,519	199,210

5. Other operating expenses

(in thousand of dollars)	2006	2005
Salaries and employee benefits	17,612	14,798
Professional and special services	14,126	8,953
Other services	2,877	3,868
Services provide without charge (Note 14.a)	2,440	2,099
Travel and relocation	1,293	1,004
Rentals	1,238	542
Office furniture & furnishing	1,097	374
Equipment repair and maintenance	964	1,123
Telecommunications	486	367
Other operating expenses	424	1,099
Total	42,557	34,227

6. Loans Receivable:

(in thousands of dollars)	2006	2005
Loan to Queens Quay West Land Corporation	-	31,300

Queens Quay West Land Corporation is a parent, non-agent Crown Corporation incorporated under federal legislation. The Corporation had a mandate to dispose of remaining federal assets on the Toronto waterfront and to dissolve itself. The *Crown Corporations Dissolution or Transfer Authorization Act*, S.C. 1991, c.8 provided the Parliamentary authority to dissolve the Corporation in 1991. On August 12, 2005 Treasury Board directed that Queens Quay West Land Corporation be dissolved by March 31, 2006. Government direction to dissolve was given to the Corporation

by Order in Council on August 15, 2005. Accordingly, the outstanding loan of $31 million has been written off in 2005-06.

7. Other Payments to Crown Corporations

Transactions relating to the Crown corporations were treated differently in the fiscal years 2004-05 and 2005-06.

In 2004-05, separate votes existed for payments to the Old Port of Montreal Corporation Inc. (OPMC) and for payments to Queens Quay West Land Corporation (QQWLC). Payments were made as follows:

- OPMC - $15,273,713 representing payments of $16,100,000 less a refund from OPMC of an unused appropriation of $826,287 and
- QQWLC - $4,000,000 representing a flow through operating subsidy for Harbourfront Centre in Toronto.

In 2005-06, due to an oversight, separate votes for OPMC and QQWLC were not established in the Main Estimates. Based on consultation with Treasury Board Secretariat and the approval of Treasury Board, two new contributions were approved to provide payments to the OPMC and the QQWLC. Therefore, the following amounts appear under transfer payment expenditures as follows:

- OPMC – $16,325,000
- QQWLC - $4,000,000.

8. Revenues

(in thousands of dollars)	2006	2005
Dividends - Canada Lands Company Limited	11,000	5,000
Return of surplus - Queens Quay West Land Corporation	4,793	-
Total	**15,793**	**5,000**

9. Accounts receivable and advances

The following table presents details of accounts receivable and advances:

(in thousands of dollars)	2006	2005
Receivables from other Federal Government departments and agencies	59,248	34,814
Employee advances	7	7
Total	**59,255**	**34,821**

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Since these accounts receivable are expected to be fully recoverable, no allowance for doubtful accounts has been established.

10. Tangible Capital Assets

(in thousands of dollars)

	Capital asset class			
Cost	**Informatics Hardware**	**Informatics Software**	**Vehicles**	**Total**
Opening balance (2005)	153	-	53	206
Acquisitions	70	42	-	112
Disposal and write-off	-	-	-	-
Closing balance (2006)	223	42	53	318
Accumulated amortization				
Opening balance (2005)	16	-	15	31
Amortization	22	-	11	33
Disposal and write-off	-	-	-	
Closing balance (2006)	38	-	26	64
2006 Net book value	185	42	27	254
2005 Net book value	137	-	38	175

11. Accrued Liabilities

An accrued liability of $286,444,793 for the Public Transit Fund, a transfer payment program, was set up in 2005-2006 representing contributions to provinces and territories. Although the agreements were signed and the recipients had met the eligibility criteria before March 31, 2006, the payments were not made until the following year.

12. Employee Benefits

(a) Pension benefits: The department's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to inflation.

Both the employees and the department contribute to the cost of the Plan. The 2005-06 expense amounts to $1,883,732 ($1,610,312 in 2004-05), included in Salaries and employee benefits in the Statement of Operation, which represents approximately 2.6 time the contributions by employees.

The department's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

(b) Severance benefits: The department provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

(in thousands of dollars)	2006	2005
Accrued benefit obligation, beginning of year	2,132	1,141
Expense for the year	980	991
Benefits paid during the year	(172)	-
Accrued benefit obligation, end of year	2,940	2,132

13. Contractual Obligations

The nature of the department's activities can result in some large multi-year contracts and obligations whereby the department will be obligated to make future payments when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

(in thousands of dollars)	2007	2008	2009	2010	2011 and there-after	Total
Gas Tax Fund	582,624	776,832	971,040	1,942,080		4,272,576
Other transfer payments	978,776	616,160	392,123	206,475	32,195	2,225,729
Operating leases	1,357	823	208	34		2,422
Total	1,562,757	1,393,815	1,363,371	2,148,589	32,195	6,500,727

14. Related party transactions

The department is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. The department enters into transactions with these entities in the normal course of business and on normal trade terms. Also, during the year, the department received services which were obtained without charge from other Government departments as presented in part (a).

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(a) Services provided without charge:

During the year the department received without charge from other departments, accommodation and the employer's contribution to the health and dental insurance plans. These services without charge have been recognized in the department's Statement of Operation as follows:

(in thousands of dollars)	2006	2005
Accommodation	1,299	1,153
Employer's contribution to the health and dental insurance plans	1,141	946
Total	2,440	2,099

(b) Payables outstanding at year-end with related parties:

(in thousand of dollars)	2006	2005
Accounts payable to other government departments and agencies	2,257	2,087

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include payroll and cheque issuance services provided by Public Works and Government Services Canada are not included as an expense in the department's Statement of Operations.

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Section IV: Other Items of Interest

4.1 Departmental Administration and Management Initiatives

Description[8]

The third Program Activity of Infrastructure Canada is Departmental Administration, which promotes excellence in program and corporate management in support of Infrastructure Canada's priorities. Departmental Administration consists of:

- The Office of the Deputy Head;
- Communications;
- Corporate Services; and
- Legal Services.

The Corporate Services sub-activity is further divided into: Information management/information technology; Finance; Administration; Human Resources; Corporate Planning and Reporting; Internal Audit; and, Evaluation.

The Minister, supported by the Deputy Head, is responsible for ensuring that Government priorities are pursued through the Infrastructure and Communities Portfolio.

Infrastructure Canada is well-positioned to support the Government of Canada's vision for sustainable communities. Success requires all parts of the organization to recognize the complementary roles they play within the Portfolio, and their respective roles in supporting the Minister in his responsibilities toward Parliament and Canadians.

Effective portfolio management is imperative to maintain an organization that is properly positioned not only to deliver on the organization's priorities, but also to help the Government achieve its overall strategic objectives.

8 The description of Departmental Administration reflects changes made on February 6, 2006, at which time Infrastructure Canada responsibilities were assigned to the Minister of Transport, Infrastructure, and Communities.

Achievements

Following the completion of the latest Management Accountability Framework (MAF) assessment with Treasury Board Secretariat, Infrastructure Canada will pursue several enhancements to various modern management practices within the overall MAF. This is consistent with its vision to deliver, under prudent stewardship, quality programs that generate results for Canadians.

Chief Financial Officer

A key step in strengthening modern management practices within Infrastructure Canada is the recent establishment of the position of Chief Financial Officer (CFO). The move responds to a recommendation of a major independent review of Infrastructure Canada's program operations conducted in early 2005 that Infrastructure Canada's financial and auditing functions be strengthened. The CFO leads comptrollership activities in areas such as risk management and control, performance and financial accounting and reporting, and financial policy framework and standards. The CFO, as in all departments, maintains an ongoing working relationship with the Comptroller General.

Human Resources Strategy

Through its human resources strategy, Infrastructure Canada is focused on becoming an organization respecting the career aspirations of its people, seeking their views and recognizing their achievements. As it continues to evolve, emphasis will be place on optimizing human resources capacity to ensure the success of the operations.

The human resources strategy will focus on progress in the following areas.

Building of the workforce

Infrastructure Canada will seek to recruit the right mix of people with the knowledge, competencies and skills to accomplish the work of the organization and enable it to fill positions quickly, efficiently and with minimum loss to productivity. Also, Infrastructure Canada will develop competency profiles to target recruitment to fill the gaps, to identify learning needs and to provide employees with a roadmap for career development.

Public Service Modernization Act

Infrastructure Canada has successfully implemented all segments of the essential requirements for the coming into force of the new *Public Service Employment Act* (PSEA). The Public Service Commission (PSC) has conducted an evaluation of the organization's staffing for the period from April 2004 to December 2005. As reported by the PSC, Infrastructure Canada has demonstrated a number of strengths in such areas as monitoring and communication with respect to strategic and operational matters.

The department will continue its efforts with the integration of the business and Human Resources planning. It has been identified as one of the key corporate priorities of the department for 2006-2007.

The department has negotiated an MOU with the Center for Values, Integrity and Conflict Resolution Office of Fisheries and Oceans Canada to provide Informal Conflict Management Services to employees of the department. The services covered by this MOU will include conflict management consultation including coaching, prevention and early intervention, conflict resolution interventions such as facilitated discussions, group intervention and mediation.

Infrastructure Canada will be an active member of the joint Labour Management Consultation Committee (LMCC) set up by a cluster of small agencies and departments.

Learning

Infrastructure Canada will focus on becoming a learning organization. Learning, training, leadership development and professional development are key to ensuring that it is equipped to meet its mandate. Learning activities will be linked to the competencies required to achieve the operational objectives and to meet the requirement for the mandatory training in the areas of finance, human resources, information management/technology, and contracting and procurement.

Representation

Infrastructure Canada is committed to ensuring that it has the capacity to communicate with and provide services to members of the public in the official language of their choice. It is committed to advancing diversity within the Public Service by building a skilled, diverse workforce reflective of Canadian society and by continuing to implement employment equity measures.

Values and Ethics

Infrastructure Canada is committed to raising awareness of the values and ethics for the Public Service. The values and ethics will guide and support employees in their professional activities at Infrastructure Canada and serve to maintain and enhance public confidence in the integrity of the Public Service.

Communications

The Communications function of Infrastructure Canada informs Canadians about funding and projects that support their communities through the federal infrastructure investment programs as well as through research funding. Communications are coordinated with regional development agencies and with provincial, territorial and municipal partners.

During 2005-2006, Communications handled over 700 public inquiries and 33 media inquiries. The unit also prepared 37 speeches, 6 articles on behalf of ministers for publication and participated in several conferences.

4.2 Contacts

For more information, visit **www.infrastructure.gc.ca** or contact Infrastructure Canada at:

Infrastructure Canada
90 Sparks Street, suite 605
Ottawa, Ontario
K1P 5B4

Telephone: 613-948-1148
Telephone toll free: 1 800 O-Canada (1 800 622-6232)